

## **The outline business case is fundamentally flawed**

The outline business case (OBC) produced to justify the financing of a 305,000 tonne per annum waste incinerator fails to agree with current waste arising. Its projection for the future is not credible and cannot be the basis of a viable project.

The projections in the OBC are that it will burn 257,016 tonnes in its first full year of operation slowly rising to burning 295,000 tonnes in 2039/40 (the last year of the PFI). The projection is already massively wrong in regard to the amount of waste produced last year (2007/8) when around 30,000 tonnes less was produced than predicted, with around 10,000 less burned and 20,000 less landfilled. The projections for future years are dishonest as they ignore the fall in waste, reduced house building and aspirations for 60% recycling in Warwickshire.

The projections also assume that all commercial waste goes to the incinerator. This 39,000 tonnes was projected to rise to 50,000 tonnes in 2040 but none of it is projected to be recycled. This waste is from offices, shops and traders and is almost 100% recyclable. This lack of non-household waste recycling reduces the recycling & composting rate for the 3 councils to 47.7%.

The project has already suffered from a lack of political will in Warwickshire to stick to the projections within the OBC. The OBC was only approved after a concession to remodel the tonnages after submission for 55-60% recycling.

The project is already acting as a disincentive to waste reduction and reuse within the sub-region. All spending on waste reduction and reuse could be cut in next year's budget for Warwickshire.

The project has no full time director, as the named person in the OBC was a contractor just appointed to lead the OBC production. The partners have chosen not to fill the project director post making all the risk mitigation invalid.

The project has also accidentally provided a confidential spreadsheet to one of the UKs best anti-incineration campaigners.

This project has little chance of success as it faces major planning, funding and political difficulties. Worse still, even if it was built, it would provide very little additional utilized incineration capacity before the EU landfill deadline in 2020.

Replacing a 268,000 tpa incinerator with a 305,000 tpa incinerator of which only around 120,000 - 180,000 tpa may be needed is poor value for money.

The most striking signal that the PFI does not represent value for money comes from the sensitivity analysis. This shows that the net cost of the project is in fact lower if it is delayed by one year. Doing this analysis was repeated with longer delays to the project would show that the replacement should be done closer to 2020.

The existing plant is sometimes referred to as a 315,000 tpa facility but this would require 100% availability, whereas the industry assumes 85% availability i.e. 268,000 tpa capacity.

## **The cost of waste PFI is already destroying green plans**

The waste PFI is already causing other funding for waste reduction, recycling and other environmental spending to be curtailed.

In Warwickshire funding for any waste reduction is uncertain with the waste partnership being told only £7,000 may be available out of a £20m+ waste budget for new waste reduction measures. Last year the county scrapped its funding for mothers who wished to use real nappies.

Wider funding cuts to pay for waste PFI are expected to entail £100,000 per year cuts to eco-schools and massive cuts in green transport.

In Coventry the city council is talking about more recycling yet at the city's annual Godiva Festival all recycling bins were removed. Worse still the council has run a trial plastics and glass-recycling scheme in only a 1/5<sup>th</sup> of the city. This scheme is unnecessarily difficult to use. The public are told that they can only put HDPE bottles into the kerbside boxes but then the council sends the contents to a MRF which is capable of sorting it into six types of hard plastic.

Solihull council told its residents that they could not have plastic recycling as it was needed for the efficient operation of the energy from waste plant (aka incinerator). After challenging them this statement has been removed from their website.

## **The project is already falling apart**

The 31<sup>st</sup> of October was the end of the contract for the interim project director. The recruitment of a full time project director has been halted and is not expected to happen. A large part of the risk mitigation was based on the project having a director who could bridge the massively differing needs of the three authorities.

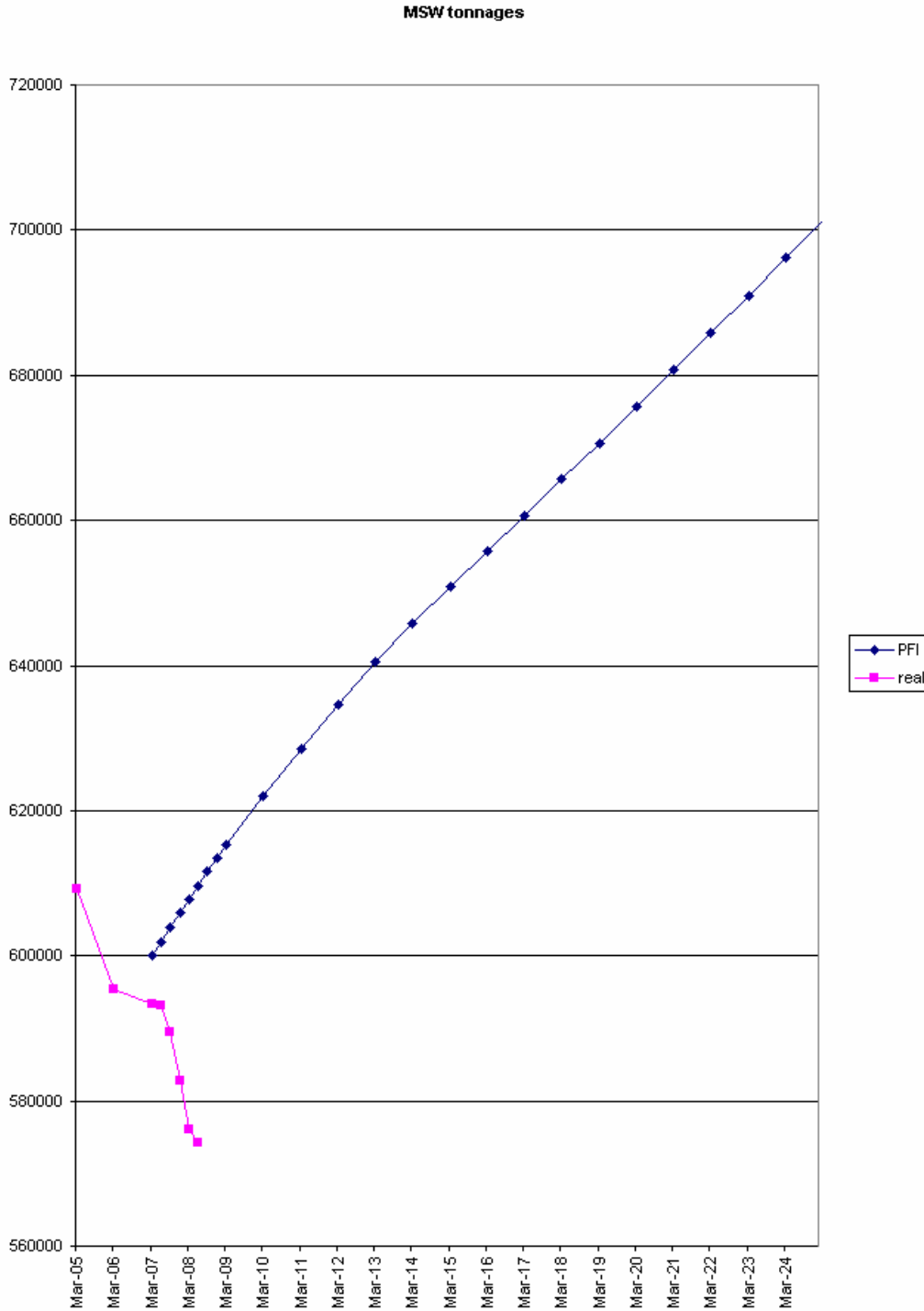
In order to get the OBC past elected members at Coventry and Warwickshire a great amount of bullying was used by the officers. In effect they said they did not have time to change things so the PFI credit would be lost if the councillors did not vote for it exactly as proposed. Such blackmail by officers will have repercussions later in the project.

The proposed site is also a massive problem. The councils have produced 3 very different outlines of the proposed plot to different parties. In order not to upset the allotment holders, Wildlife Trust and bidders different outlines have been drawn. The final site will either be mostly on green belt, on working allotments or a very long thin strip.

The prospect of spare capacity being used for trade waste is becoming very unlikely. The operators of the Rugby cement works are to build a 300,000 tonne per year MBT plant to make fuel for the works. This totally undermines the viability of the project as most commercial waste would go to this plant, which undoubtedly will charge lower gate fees.

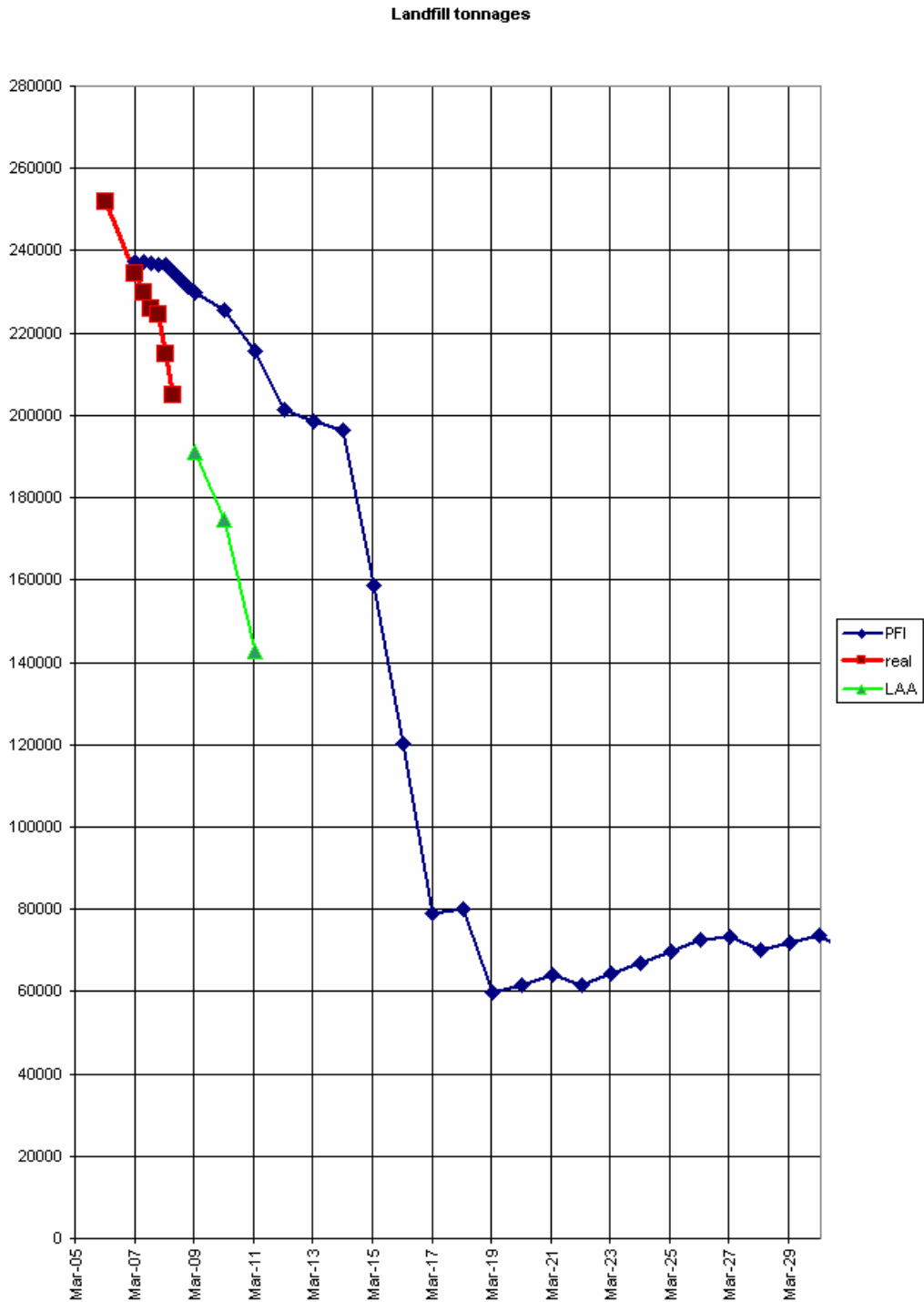
## Review of real waste data against PFI projections

The graph below shows the projected total municipal solid waste for the three councils from the OBC (appendix 2d) and the real total rolling 12 months data from wastedataflow.



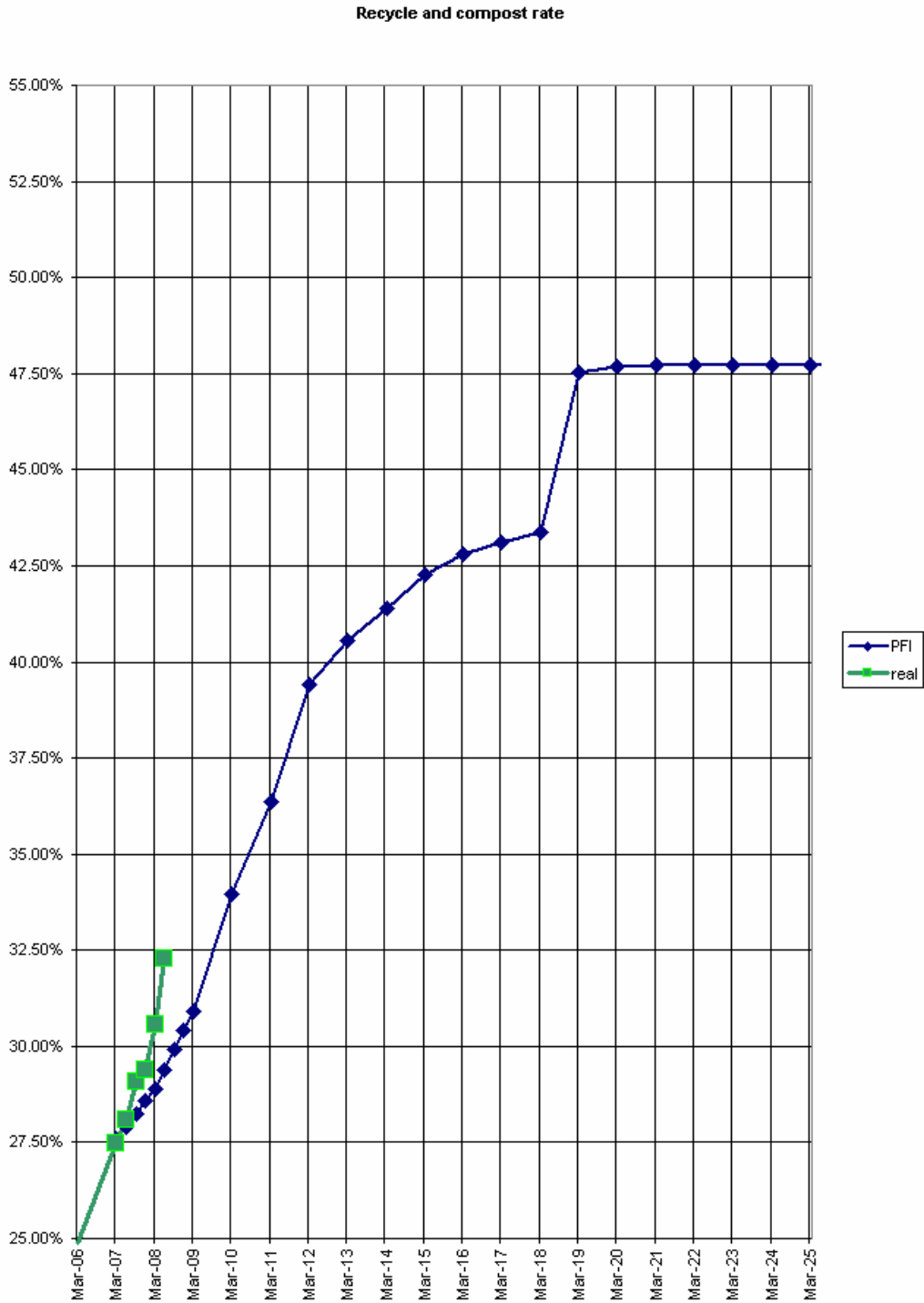
**FIG 1**

The graph below is the projected MSW sent direct to landfill from the OBC, the real rolling 12 months tonnage from wastedataflow and the expected tonnage for the next 3 years based on Warwickshire’s current proposed update to its Local Area Agreement (LAA). The current 35,000 tonnes less landfill than predicted will expand to 73,000 tonnes less than predicted.



**FIG 2**

The third graph is the MSW recycling and composting rate predicted by the PFI and real data. Notice that improvements to recycling are delayed in Coventry and Solihull so that the incinerator has fuel in 2016-2018



**FIG 3**

**The graphs show that the OBC is already very inaccurate.**

## **Comments on sections of the OBC**

### ***3.7 Reduction in the amount of residual waste produced***

Waste reduction targets do not meet the government aspiration of 225Kg/head by 2020. Changing resources like aluminium and glass into ash and then using the ash is not a legitimate use of the term recycling. Excluding the ash the projected residual after recycling and composting is 258Kg per head in 2020, i.e.15% above government targets.

We would also question the population prediction used as it implies a sub-regional population growth of 13.4% between 2006 & 2020. Warwickshire's population has risen by just 4% over the past 6 years.

The 2006 population for Coventry is less than the mid 2003 value and has been static for years. The Solihull population has also been static. Overall the population growth in the sub-region is half that projected. The current state of the economy and the almost static state of house building suggest that predictions of housing targets could be significantly over-estimated. The unpredictability of the economy and subsequent waste should indicate the need for a more flexible, modular system of waste disposal built on more than one site.

Given a realistic population growth of 0.5% per year the residual waste tonnage is about 20% more than the government's target of 225KG per head in 2020.

### ***3.8 Recycling and Composting***

Three of the five district councils in Warwickshire already have plans in place to recycle around 60% of their household waste within 3 years. Warwick District council has already exceeded 60% in the summer months so that the end of year outturn for 2008/9 will already be close to 60%. New recycling schemes are following in Stratford-on-Avon and Rugby which both have aspirations of reaching 60% in the two years that follow. At the scrutiny committee at Warwickshire and the full council meeting that followed cross party support changed the resolutions passed so that 55-60% recycling became the basis of the modelling for 2020 with continuous improvement after that date.

Both Coventry and Solihull are lacking the drive to improve recycling. One councillor at the full council meeting in Solihull said incineration was a form of recycling. The public in both authorities are angry at the slow progress in recycling and the appearance that only the minimum of recycling is being implemented. This is not surprising when the councils are the joint shareholders of the Coventry incinerator that is running short of waste.

The PFI OBC should have been made on the basis by 2013/14 of Warwickshire reaching 60% recycling and the others exceeding 50%. The medium term objective of the three councils getting to 70% at some later date within the life of the plant should be planned for.

**The OBC has set an artificial ceiling of 50% recycling until 2044 (the other 50% committed to incineration) (See FIG 3) whilst claiming that 'The collective aim of the Partners is to exceed this target (50%)' (Appendix 3b) This is a logical impossibility which alone should invalidate the OBC.**

From minutes of the Warwickshire Environment Overview and Scrutiny Committee meeting held on 14th October 2008.

11 Urges the Cabinet to consider a recycling and composting target for Warwickshire of between 55% and 60% by 2020 as the underlying presumption with a consequent residual waste treatment facility of a maximum of between 235,000 and 270,000 tonnes, and seeks to persuade our partner authorities to adopt a similar target.

### **3.8.2 Changes to kerbside collection schemes**

Warwick district council has changed to an alternate weekly collection system. This change has caused a significant reduction in waste. Within the next decade all other authorities within the area should be assumed to have made a similar change.

### ***3.10 Landfill Objectives***

In 2007/8 Warwickshire almost met its 2009/10 LATS target 2 years early. It needed 114,134 last year compared to an original 07/08 allowance of 142,591. This drops to 113,495 in 2009/10. Both Coventry and Solihull used less than half their 2020 allowance i.e. they are better than 12 years ahead.

### ***4.2 Overall Strategy for Procurement***

The existing waste incinerator has increasing spare capacity each year as Coventry and Solihull councils recycle greater amounts of waste. Warwickshire currently uses about 25,000 tonnes of the 60,000 tonnes that has been sold to other councils. Warwickshire has agreed to increase the use of the existing Coventry incinerator (to 40,000 tpa) and the other users have separate PFI waste contracts under development. With Walsall and Sandwell taking part in the Staffordshire PFI and Worcestershire restarting its PFI disposal project all the other users of the Coventry burner will no longer need the capacity.

## ***8 Costs, Budgets and Finance***

### **8.5 Affordability Analysis**

The existing incinerator is currently profitable for its owners Coventry and Solihull Councils. The rise in landfill tax has increased the gate fee that can be charged for the 60,000 tonnes per annum of spare capacity currently sold to Warwickshire, Sandwell, Walsall and Worcestershire councils. The 'do minimum' is a very unrealistic base case in which half the sub-region's waste is landfilled. In the absence of funding for a new incinerator just landfilling half the waste is not a long-term option. The fall back position is likely to make use of the interim LATS solution that is no longer needed by Leicestershire, using spare capacity in other plants and bringing forward small scale MBT plants for what is left. Cemex already have a planning application for a 300,000 tonne per year MBT to feed the Rugby cement works. The very minimal "do nothing" that is modelled should at least have treatment before landfill to reduce bridgeable content.

"The Residual Project (EfW with CHP)" also ignores the cost and viability of building a CHP system.

## ***9 Stakeholder Consultation***

Section 9 is not acceptable as part of a robust official document. It claims to report on ‘the consultation that has taken place **or** is planned in respect of the project’, and thus avoids any specifics of actions taken or planned. This precludes an ‘open, honest and two way’ communication (Appendix 9C). It is crucial that it is urgently made clear which aspects, how, when and with whom, consultation has taken place to date.

Friends of the Earth have been involved in some of the consultation process, most notably in being given the opportunity to lead a presentation and discussion at Scrutiny Board 3. We believe that such discussions and the high level of interest in the media helped broaden the initial remit of ‘Project Transform’ to one where alternatives to incineration are being actively considered. This aim has been publicly declared both in the media and at the ward forums and it has been agreed that full council will debate such alternatives before the final decision.

This crucial outcome of the process so far is not reported in Section 9. It is falsely stated that ‘Key to this (project) will be the development of a new energy from waste plant’ (euphemism for incinerator).

### **Coventry citizens have not yet been consulted on ‘Project Transform’**

- Coventry’s Waste Strategy consulted only on the period up to 2020. Project Transform covers the period 2017 to 2044. Consultation on the Waste Strategy was explicitly kept separate from discussion on Project Transform.
- Officers and Cabinet members made recorded statements to stakeholders and press that the OBC was a means to keeping financing options open for waste disposal. Specific commitments to the type of technologies used were to be given equal weight and publicly consulted upon, including full reports and a decision taken by full council.
- There is no reference to Project Transform on Coventry Council’s website. Neither are residents told how to access it via the Warwickshire Council site even via the search mechanism.

## **APPENDICES**

### **Appendix 2c - Waste Flow Model Assumptions**

- 2.2 Housing Growth - re the 21% increase in households by 2026. Nothing has been decided yet and the current state of the economy and housing market suggest that this figure could be a significant over-prediction.

- 4.1 - Are the "participation" rates in the table forecasts or based on current figures and trends? If the former how do they come up with the figures and do they take into account greater public commitment to recycling over time?

## **Appendix 2d - Waste Flow Model**

These tables seem to indicate that incinerated waste will fall from 197,000 tonnes p.a. to 177,000 tonnes p.a. between 2006 and 2014, leaping up to 257,000 in 2016, declining slightly over several years and not going back above 257k until 2026. These variations don't seem to be compensated for in other categories of waste in this table?

## **Appendix 3b - Sub-Regional Waste Framework**

In section 5 one of the Common Themes is "...to deliver a 50% household waste recycling rate by 2020...The collective aim of the Partners is to exceed this target while acknowledging the challenges that this may pose." How will 50% recycling be exceeded if there is a commitment to incinerate 50% until 2044?

## **Appendix 4b – Options Appraisal**

Section 2 - EOI appraisal - Why was the highest recycling rate considered 50%?

Section 3 - OBC appraisal - Only 20% of the weighting went towards environmental considerations (which also included 'social' aspects).

4.2.1 - Is there really a good reason to give more weight to technologies that have a track record in the UK rather than elsewhere?

4.2.4 - There seems to be an assumption that MBT leads to more landfill than incineration does.

Figure 4.1 - These figures suggest that incineration uses fewer resources than other forms of waste treatment. Is this true?

## **Appendix 7a - DEFRA Planning Health Framework**

Section A - A4 states the need for Waste Strategies to be accompanied by a Strategic Environmental Assessment "that informed the approach to the adopted strategy" but Warwickshire and Solihull don't have these because they are "outside the dates specified in the SEA directive". What does this mean?

Section C - "Engagement underway to secure removal of site from Green Belt. This is required in the next 2 months and then response to Coventry's preferred options in the New Year". This shows a flagrant disregard for the consultation on the Emerging Core Strategy, the results of which are not yet known. This will mean 'bulldozing' planning permission through as soon as possible.

Section D - Community Consultation. This suggests that the consultation exercise should be much more far-reaching than it has been up to now, including leaflets, exhibitions, consideration of different technologies, sustainability appraisals, implications for the Whitley site etc. Several of the questions in the 1st column are not answered in the 2nd and 3rd columns. The link between Coventry's Core Strategy and the Waste Strategy was not made clear to the public during the consultation process for either.

Section F - Way Forward. It seems that the Core Strategy won't be published before the planning

application goes in but the document says that its publication "should be prior to determination". However, it sounds that the key decisions will have been made then. Several questions in column 1 aren't answered.

### **Appendix 7c Sustainability and Design Strategy**

"The issue of sustainability is a pivotal part of good design..."

Under 'Sustainability' it states "Is the development building a strong, stable and sustainable economy which provides prosperity and opportunities for all, and in which environmental and social costs fall on those who impose them and efficient resource use is incentivised?"  
Can the proposed plant be said to fit in with this objective?

Environmental – The OBC states: "Does the development show that the need to reduce the consumption of fossil fuels is central to the design ethos? Is it evident that every new building needs to make the greatest possible contribution to mitigating climate change, in construction and in use? Can it be shown that environmental sustainability has been fully integrated into the design process from the beginning?"

This principle doesn't appear to be followed in proposing a plant which will create massive increases in fossil-fuel derived CO2 emissions. (Aprox. 300,000 tonnes per year)

Anticipated carbon taxes have not been factored into future calculations.

### ***Data sources***

- 1) PFI OBC
- 2) Defra/EA wastedataflow [www.wastedataflow.org](http://www.wastedataflow.org)
- 3) WCC local area agreement update  
[http://www.warwickshire.gov.uk/corporate/committe.nsf/471ece76d69bff9780256a140057d7f8/7e4c65426c9973ab802575140056bcac/\\$FILE/CBP%20to%20Cabinet%20\(11-12-08\)%20%20Final%20v1.lw.%5B431KB%5D.pdf](http://www.warwickshire.gov.uk/corporate/committe.nsf/471ece76d69bff9780256a140057d7f8/7e4c65426c9973ab802575140056bcac/$FILE/CBP%20to%20Cabinet%20(11-12-08)%20%20Final%20v1.lw.%5B431KB%5D.pdf)